

Message Text

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ACTION EUR-25

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AEC-11 FPC-01 COME-00 STR-08 ACDA-19 DRC-01 FRB-02

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R 151747Z MAR 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 1125

INFO AMEMBASSY MOSCOW

AMEMBASSY LONDON

AMEMBASSY PARIS

USMISSION NATO BRUSSELS

AMEMBASSY TEHRAN

C O N F I D E N T I A L SECTION 01 OF 02 BONN 04194

E.O.H11652: GDS

TAGS: ETRD, PFOR, ENRG, GW, UR

SUBJECT: ECONOMIC ASPECTS OF FRG MINISTER BAHR VISIT
TO USSR

REF: A. MOSCOW 3356 (NOTAL); B. BONN 3948; C. BONN 1329

1. SUMMARY: BAHR AND NOVIKOV DISCUSSED ESTABLISHING
JOINT COMPANIES IN THIRD COUNTRIES AND JOINT CRUDE
OIL EXPLORATION IN THE CASPIAN SEA. THEY AGREED TO
ATTEMPT TO CONVENE A THREE-POWER MEETING, POSSIBLY IN
EARLY APRIL, TO DISCUSS THE TRILATERAL FRG-USSR-IRAN
GAS DEAL. THE SOVIETS ACCEPTED WITH INTEREST THE FRG
PROPOSAL FOR BUILDING NUCLEAR POWER PLANTS IN THE
USSR AND TOLD THE FRG THEY WANT THE PLANTS LOCATED IN
ONE AREA. AGREEMENT WAS NOT REACHED ON FINANCING OF
THE KURSK PROJECT. HOWEVER, THE SOVIETS DROPPED THEIR
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DEMAND THAT FINANCING BE ARRANGED PRIOR TO FEBRUARY 15,

1974. THE FRG AND USSR WILL EXPLORE COOPERATION IN THE CHEMICAL SECTOR. NOVIKOV WILL MEET WITH FRG OFFICIALS DURING HIS TRIP TO THE FRG BETWEEN MARCH 23 AND APRIL 7. END SUMMARY

2. THE FOLLOWING ACCOUNT IS DRAWN FROM THE BRIEFING BAHN PROVIDED TO THE AMBASSADORS OF US, UK AND FRANCE AS WELL AS ADDITIONAL TALKS EMBOFFS HAD IN THE FRG FOREIGN OFFICE AND ECONOMICS MINISTRY.

3. DURING THE FIRST MEETING WITH NOVIKOV ON FEBRUARY 28, BAHN PROPOSED CREATION OF MIXED FRG-USSR COMPANIES TO CARRY OUT JOINT PROJECTS. IN ADDITION BAHN OFFERED FRG TECHNICIANS TO ASSIST IN "RATIONALIZING" USSR INDUSTRIES. OUR ECONOMICS MINISTRY CONTACTS CHARACTERIZED BOTH SUGGESTIONS AS TACTICAL, WITH THE LATTER ONE BEING PROPOSED WITH THE EXPECTATION THAT THE SOVIETS WOULD BE COOL TO IT. THE MIXED COMPANY PROPOSAL HOWEVER HAD BEEN DISCUSSED UNSUCCESSFULLY PREVIOUSLY IN THE FRG-USSR MIXED COMMISSION FORUM. THE FRG APPARENTLY IMPLIED THAT THE MIXED COMPANIES COULD BE ESTABLISHED IN EASTERN EUROPEAN COUNTRIES, I.E., THE GDR AND POLAND, TO SUPPLY ENERGY TO THE FRG AND WEST BERLIN. NOVIKOV WHILE NON-COMMITAL IN GENERAL, SAID THE COMPANIES COULD NOT OPERATE IN THE USSR.

4. COOPERATION IN CRUDE OIL EXPLORATION IN THE USSR. DURING THE DISCUSSION ON THE 28TH BAHN ALSO PROPOSED COOPERATION IN EXPLORATION IN THE TUYMEN FIELD. NOVIKOV DURING THE MEETING ON MARCH 4TH, REJECTED THAT PROPOSAL BUT COUNTERED WITH A REQUEST FOR COOPERATION INVOLVING DEEP DRILLING EXPLORATION IN THE CASPIAN SEA.

5. TRILATERAL FRG-USSR-IRAN GAS DEAL. AFTER LENGTHY DISCUSSIONS, BOTH SIDES AGREED TO CONVENE THE FIRST THREE-POWER MEETING, POSSIBLY IN APRIL. THE SOVIETS AGAIN EXPRESSED THEIR VIEW THAT ONE LARGE TRILATERAL PROJECT IS PREFERABLE TO TWO, ONE OF WHICH WOULD BE CONFIDENTIAL

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THE SWITCH DEAL, THE OTHER THE LIQUIFICATION PROPOSAL INVOLVING TURKEY.

6. CONSTRUCTION OF NUCLEAR POWER PLANTS IN THE USSR. AT THE END OF FEBRUARY -THE FRG NUCLEAR ENGINEERING FIRM KRAFTWERKUNION (KWU) PROVIDED THE SOVIETS WITH ITS INITIAL PROPOSAL FOR CONSTRUCTION IN THE USSR OF FOUR NUCLEAR POWER STATIONS TOTALING 4800 MW. THE

FRG LEARNED THE SOVIETS PLAN TO REVIEW THE PROPOSAL PROMPTLY AND WILL ATTEMPT TO RESPOND BY LATE SUMMER, I.E., BEFORE THE NEXT FORMAL JOINT COMMISSION MEETING IN OCTOBER. NOVIKOV TOLD BAHR THE SOVIETS WANT ALL FOUR PLANTS CONSTRUCTED IN ONE LOCATION. BAHR, WHO APPARENTLY UNDERLINED THE REQUIREMENT TO INCLUDE WEST BERLIN IN ANY ENERGY DELIVERIES TO THE FRG, DID NOT RESPOND TO THIS IDEA ALTHOUGH AN ECONOMIC MINISTRY OFFICIAL TELLS US THAT SHOULD THE PLANTS BE LOCATED IN SUCH A WAY AS TO EXCLUDE WEST BERLIN FROM DELIVERIES

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 04194

ON TECHNICAL GROUNDS, THE DEAL WOULD BE OFF. TAKING A HARDER LINE THAN THAT OF BAHR AS REPORTED IN REFTEL A, THE OFFICIAL SAID THE KOENIGSBERG SITE OR ONE IN POLAND OR THE GDR ARE CONSIDERED OPTIONAL, WITH CONSTRUCTION OF THE PLANTS IN THE URALS "OUT OF THE

QUESTION".

7. KURSK -- BAHR CLAIMED HE HAD NO MANDATE TO DISCUSS FINANCING FOR THE KURSK PROJECT. THE SOVIETS, HOWEVER, HAVE EXTENDED THE DATE FOR REACHING A DECISION ORIGINALLY SET WITH THE FRG COMPANIES. (SEE REFTEL C PARTICULARLY PARA 2A.) THE SOVIETS TOLD THE COMPANIES THEY ARE AWAITING AN FRG OFFER. BAHR WAS OPTIMISTIC THAT THE SOVIETS WOULD ACCEPT THE FRG COMPANIES, FINANCING PROPOSALS EVEN THOUGH THE FRG TERMS DID NOT APPEAR COMPETITIVE ON THE FACE OF IT. (COMMENT. PRESS SPECULATION IN BONN HINTS THAT THE TRUE INTEREST RATE
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WILL BE HIDDEN IN THE FINAL PRICE, A PRACTICE COMMON IN FRG TRADE WITH THE GDR.)

8. BAHR-KOSTANDOV DISCUSSION. A FOREIGN OFFICE OFFICIAL CONFIRMED THE DETAILS CONTAINED IN PARA 6 OF REFTEL A, ADDING ONLY THAT POLYVINYL CHLORIDES (PVC) WAS ANOTHER PRODUCT BEING CONSIDERED.

9. NOVIKOV VISIT TO THE FRG. NOVIKOV WILL BE IN DUESSELDORF TO OPEN THE SOVIET FAIR ON MARCH 23. INFORMAL TALKS ARE PLANNED BETWEEN HIM AND ECONOMICS MINISTER FRIDERICH, THE COCHAIRMAN OF THE JOINT ECONOMIC COMMISSION.

10. COMMENT. BAHR RETURNED WITH A VERBAL MESSAGE FOR BRANDT FROM BREZHNEV AND PRESS SPECULATION IS THAT IT, IN PART, CONCERNS THE KURSK PROJECT. AN MFA OFFICIAL TOLD US HE DID NOT KNOW THE CONTENT BUT WAS FAIRLY CERTAIN IT CONTAINED AN ECONOMIC SECTION. OFFICIALS IN THE ECONOMICS MINISTRY CONSIDER THE BAHR VISIT SUCCESSFUL IN THAT BAHR WAS ABLE TO USE THE FRG'S ECONOMIC LEVERAGE ON THE SOVIETS FOR FLEXIBILITY ON WEST BERLIN QUESTIONS, THE MOST OBVIOUS EXAMPLE BEING THAT OF THE SCIENTIFIC AND TECHNICAL AGREEMENT (SEE REFTEL A). ALTHOUGH IT IS NOT YET CLEAR, BAHR MAY HAVE CARRIED A SPECIFIC FRG PROPOSAL ON KURSK WHICH THE SOVIETS FOUND INTERESTING. HOWEVER, HOW LONG THE FRG CAN USE THE ECONOMIC CARROT IS AN OPEN QUESTION IN BONN, PARTICULARLY IN VIEW OF OPPOSITION WITHIN THE FRG CABINET OVER CONCLUDING ECONOMIC DEALS WITH THE EAST WHICH ADD FUEL TO THE INFLATION FIRE AT HOME. AT BEST, THE FRG CAN HOPE TO CONCLUDE AGREEMENTS WHICH HAVE ONLY A MINIMAL NEGATIVE IMPACT ON THE FRG ECONOMY. END COMMENT.
HILLENBRAND

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